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Malaysia

Grain and Feed

Annual

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Report Highlights:

2004/05 brought cheers to the Malaysian grain/feed industry with both domestic consumption and imports showing strong growth. Despite the recent outbreak of Avian Influenza (the second since 2004), Post still expects corn imports to increase 2.9 TMT in 2005/06. Rice imports are also expected to increase to 750 TMT to offset the drop in domestic rice production in CY2006. Wheat imports, however, are expected to decrease as millers work down on stocks in 2005/06.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Kuala Lumpur [MY1]
[MY]

Table of Contents

Executive Summary 3

Corn 4

Wheat..... 8

Rice 13

Executive Summary

Malaysian grain imports rebound 2004/05. The livestock sector performed very well in response to the strong increase in demand for poultry meat and pork. Consumption of wheat-based products experienced a steep climb while the rice imports saw a steady increase in order to compensate a small decline in domestic production in CY 2005.

The outlook for 2005/06 is brighter. The anticipated GDP growth of 5 to 6% in 2006 augurs well for the imports of grains. The pig sector is also performing well with ex-farm prices for live pigs 22% higher than in 2005. Despite the recent isolated outbreak of Avian Influenza outside Kuala Lumpur, the Malaysian poultry sector is optimistic in the near term. Current broiler ex-farm prices nearly about 4% higher than 2005. Post expects corn imports to increase 10% to 2.9 MMT and wheat imports to decrease 6% to 1.5 MMT as millers seek to work down on stocks in 2005/06. Malaysia also needs to import 750 TMT of rice in CY2006 to meet growing domestic consumption as well as compensate a reduction of harvested area due to unfavorable weather conditions.

The best prospect for U.S. grain sales is in the hard-wheat sector. However in view of stiff competition from Canada, U.S. should be able to capture 5-6 percent of the Malaysian wheat market in 2005/06. As for corn, U.S. will face strong competition from Argentina and China and will be relegated to a residual supplier. Historically, the U.S. has been an insignificant player in the Malaysian rice market.

		Production	Imports	Exports	Domestic. Disappearance
			(In 1,000 MT)		
Corn	2004/05	72	2355	8	2430
	2005/06	75	2630	10	2670
	2006/07	80	2860	15	2880
Wheat	2004/05	0	1636	84	1464
	2005/06	0	1540	100	1510
	2006/07	0	1720	120	1590
Rice	2004	1415	600	0	2045
	2005	1440	670	0	2100
	2006	1420	750	0	2160

Corn

(in 1000 Hectares and 1000 MT)

PSD Table						
Country	Malaysia					
Commodity	Corn				(1000 HA)	(1000 MT)
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2004		10/2005		10/2006
Area Harvested	24	24	25	25	0	25
Beginning Stocks	241	241	263	230	288	255
Production	72	72	75	75	0	80
TOTAL Mkt. Yr. Imports	2400	2355	2500	2630	0	2860
Oct-Sep Imports	2400	2355	2500	2630	0	2860
Oct-Sep Import U.S.	4	12	0	10	0	10
TOTAL SUPPLY	2713	2668	2838	2935	288	3195
TOTAL Mkt. Yr. Exports	0	8	0	10	0	15
Oct-Sep Exports	0	8	0	10	0	15
Feed Dom. Consumption	2300	2300	2400	2530	0	2730
TOTAL Dom. Consumption	2450	2430	2550	2670	0	2880
Ending Stocks	263	230	288	255	0	300
TOTAL DISTRIBUTION	2713	2668	2838	2935	0	3195

Production

Domestic corn production in Malaysia is insignificant.

Consumption

The Malaysian poultry sector recovered from the brief localized outbreak of avian influenza (AI) in the northeast region of the Peninsula (in September 2004) and performed well during 2004/05. Most of the big players in the market reporting record profits and look to another year of growth in 2005/2006. Malaysia experienced a second outbreak of AI in a non-commercial, free-range backyard outside the capital city of Kuala Lumpur on Feb 20 2006. Reportedly, the virus caused the death of about 40 chickens. The authorities have responded quickly to the outbreak by culling poultry flocks in the area, restricting the transport of poultry, disinfecting coops in the neighborhood and monitoring the surrounding area. Singapore immediately suspended imports of poultry and eggs from the state of Selangor where the outbreak occurred. Fortunately, all the public-listed poultry companies are located outside Selangor. At the moment, the situation is under control and there is no reason to be pessimistic about the future of the sector.

The current ex-farm price for broiler hovers around US\$1.07/kg compared to US\$1.03 in February 2005 and US\$0.66 in February 2004. During festive season, the price reached US\$1.34/kg, the highest level in the last 10 years. The ex-farm price for chicken egg also rose from US\$0.062 in February 2004 to US\$0.637 per unit in February 2005.

The pig sector is also performing well with ex-farm price for live pigs hovering around US\$169/100kg compared to US\$139/kg in February 2005. A pork seller could easily rake in US\$290 per 88 kg of meat sold. Farmers are optimistic that the sector will maintain its momentum for the remaining part of the year and look to importing more breeders, partly to replace some animals lost to the recent outbreak of 'foot and mouth' disease. At this point, post expects domestic corn consumption to increase 9 - 10% to 2.7 MMT in 2005/06 and 7 - 8% to 2.9 MMT in 2006/07.

Trade

In line with the sharp jump in domestic consumption, Post expects Malaysian corn imports to increase 12% to 2.6 MMT in 2005/06 and 9% to 2.9 Mt in 2006/07. The two biggest competitors against the U.S. are still Argentina and China. Despite of the drop in exportable supplies in Argentina, Malaysia will increase buying South American corn as long as the prices are below the US's. On the other hand, Malaysia has been China's second biggest corn market after South Korea for many years and receives preferential treatment from China. Furthermore, Malaysia could also turn to neighboring Thailand and Burma for corn purchase. Faced with these challenges, U.S. is expected to be relegated to a residual supplier.

Corn Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Corn		
Time Period	Oct04/Sep05 for 2005, Oct05/Sep06 Not Available	Units:	1000MT
Imports for:	2004		2005
U.S.	12	U.S.	
Others		Others	
Argentina	1334		
China	460		
Thailand	268		
Singapore	173		
Burma	75		
Indonesia	15		
India	13		
Australia	2		
Total for Others	2340		0
Others not Listed	3		
Grand Total	2355		0

Stocks

With the shift to buying more from South America, feed millers are expected to keep about one and a half month of stocks at the end of 2005/06 in order to adjust to the longer shipping time.

Policy

Production Policy

The GOM has no definite plans to develop a viable domestic field corn industry. Domestic corn production is unlikely to expand significantly in the foreseeable future.

Market Development opportunities

GMO/Biotech Safety Issue: While Malaysia has not officially approved the imports of GM corn, it has not restricted the importation of GM corn. The GOM is still working on the National Biosafety Act which is expected to be tabled at Parliament during the month of April. The acceptance of GM products and the labeling requirement could be constraints to importing US grains.

A significant increase in corn consumption in Malaysia will largely depend on a robust poultry and pig industry. Any assistance from APHIS or an international organization to prevent a

recurrence of the Avian Influenza outbreak could be a big help to the poultry sector. As for the pig sector, the industry has yet to recover fully from the effects of the outbreak of the Nipah virus (Japanese Encephalitis) in 1999. As the farmers and governmental officials have to develop a modern, integrated pig farm system, there are opportunities to link resources in the U.S. to assist in the following areas:

- a. the use of good-quality US swine breeds/semen;
- b. improvement of nutrition for swine; and
- c. transfer of technical knowledge on swine management, swine housing, waste treatment and slaughter plants.

The National Swine Registry has conducted two training courses on artificial insemination and breeding management in the past 4 years. These courses were well received and Post would like to see these programs be conducted in other selected locations throughout the country. Buying missions to the U.S. should also be considered in face of growing competition from the European and Canadian counterparts.

At the current moment, Malaysia is amending the importation protocol for breeding pigs and boar semen. Post had submitted AHPIS's comments and recommendations and awaits a response from the Malaysian side.

Wheat

(in 1000 Hectares and 1000 MT)

PSD Table						
Country	Malaysia					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2004		07/2005		07/2006
Area Harvested	0	0	0	0	0	0
Beginning Stocks	242	242	297	330	272	260
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	1412	1636	1350	1540	0	1720
Jul-Jun Imports	1412	1636	1350	1540	0	1720
Jul-Jun Import U.S.	137	117	0	90	0	130
TOTAL SUPPLY	1654	1878	1647	1870	272	1980
TOTAL Mkt. Yr. Exports	107	84	125	100	0	120
Jul-Jun Exports	107	84	125	100	0	0
Feed Dom. Consumption	50	50	50	30	0	50
TOTAL Dom. Consumption	1250	1464	1250	1510	0	1590
Ending Stocks	297	330	272	260	0	270
TOTAL DISTRIBUTION	1654	1878	1647	1870	0	1980

Production

Wheat is not produced in Malaysia.

Consumption

The Malaysian economy is expected to grow 5 to 6% in 2006. The current high palm oil and petroleum prices are contributing to higher purchasing power. Post expects a 3.0 – 3.5% growth in wheat consumption for the 2005/06. Café and Delis are becoming very popular in major cities throughout the country. Bakeries are also looking into manufacturing bakery products for distributing to neighboring countries such as Singapore, Thailand, Indonesia and the Philippines. Overseas demand for Malaysian biscuits recorded a strong growth in 2005 with the main markets being Japan, Taiwan and the US. Exports of packaged instant noodles dipped slightly in 2005 after recording a strong growth in the pervious year. The major markets for Malaysian noodles include the EU, Australia and the ASEAN nations.

Domestic wheat prices are controlled by the Malaysian Government under the Supplies Regulation Act (1974). The retail general-purpose wheat flour price remained at RM1.20 (US\$0.32) per kilo since 1997. However, the price of wheat flour for industrial uses has increased from by RM150 (US\$40.29) to RM1,294 (US\$347.57)/MT since June 1 2005.

Trade

With a better crop in 2004/05, Australia captured 70% the total Malaysian wheat import market. Despite the strong return of the Canadian hard wheat, the US market share rose to 7%. The main purchaser liked the quality of US wheat and had regard for the efforts of USWA's marketing program. Malaysia also turned to competitively priced wheat from Argentina and Ukraine.

Post expects a reduction in total imports in 2005/06 as millers seek to work down on stocks. Faced with stiff competition from Canada, US wheat exports to Malaysia are expected to drop to 90 TMT in 2005/06. As for soft wheat, Australia aims to dominate the market with its current problems of shipping wheat to Iraq.

Malaysia exports rose marginally to about 84 TMT (wheat equivalent) of wheat flour to Singapore, Thailand and Indonesia in 2004/05. Post expects an uptrend in exports in the near term as one miller is making extra effort to export 1kg pack flour to Singapore, the Philippines and Thailand in the coming year.

Wheat Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Jul04/Jun05 for 2004, Jul05/Sep05 for 2005	Units:	1000MT
Imports for:	2004		2005
U.S.	117	U.S.	10
Others		Others	
Australia	1159	Australia	234
Canada	189	Canada	8
Argentina	96	Ukraine	2
India	68		
Ukraine	5		
Germany	1		
Total for Others	1518		244
Others not Listed	1		
Grand Total	1636		254

Wheat Exports

Export Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time Period	Jul04/Jun05 for 2004, Jul 05/Sep05 for 2005	Units:	1000MT
Exports for:	2004		2005
U.S.		U.S.	
Others		Others	
Singapore	41	Singapore	7
Thailand	24	Thailand	4
Indonesia	7	Indonesia	1
Maldives	6	Brunei	1
Brunei	4		
Philippines	2		
Total for Others	84		13
Others not Listed			
Grand Total	84		13

Marketing

Market Development Opportunities

GIPSA's program of sending an officer to the ASEAN region for a three-month stint every year since mid-2002 is in the right direction. Millers/importers welcome the opportunity to iron out various dissatisfactions over qualitative issues. In addition, GIPSA should have a good opportunity to do outreach work. Perceived poor quality image of US grains and beans has to be addressed seriously by USWA and GIPSA.

In normal times, U.S. wheat is less price-competitive than Canadian wheat. Furthermore, the Canadian Board is a one-stop, 'solve all problems' center with the authority to quote prices as well as handle freights and logistics. This system appeals to the Malaysian purchasers. In addition, wheat boards in Canada and Australia can offer price discounts that render US as a residual supplier. It is crucial that importers should be encouraged to purchase split cargo with U.S. soybean/corn in order to reduce cost of importation. In addition, the Canadian Wheat Board is putting much effort to produce a variety for the Malaysian noodle sector. USWA has to do some catching up to avoid losing some of its market share.

On-going activities such as regional buyers conventions and training trips to the U.S., conducted by USWA, are well received by the local millers/purchasers.

Rice

(in 1000 Hectares and 1000 MT)

PSD Table						
Country	Malaysia					
Commodity	Rice, Milled					
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2004		01/2005		01/2006
Area Harvested	675	652	677	660	0	650
Beginning Stocks	270	370	380	340	480	350
Milled Production	1420	1415	1450	1440	0	1420
Rough Production	2185	2177	2231	2215	0	2185
MILLING RATE (.9999)	6500	6500	6500	6500	0	6500
TOTAL Imports	700	600	700	670	0	750
Jan-Dec Imports	700	660	600	750	0	780
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	2390	2385	2530	2450	480	2520
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	2010	2045	2050	2100	0	2160
Ending Stocks	380	340	480	350	0	360
TOTAL DISTRIBUTION	2390	2385	2530	2450	0	2520

Production

Preliminary estimates indicate a 1.8 percent increase in milled rice production to 1.4 MMT in 2005. An increase in harvested area as well as a slight improvement in padi yields contributed to the growth in output.

The outlook for 2006 is less optimistic with a small decrease in planted and harvested area. Abnormal heavy rainfall in the northern part of the Peninsula has delay planting and affected some newly planted area. In addition, some areas were affected by a rice leaf-folder moth (enaphalocrocis). Post forecast rice production at 1.42 MMT for 2006. For the longer term, the GOM encourages large scale private sector commercial padi production, especially in the states of Sabah and Sarawak, where land is still abundant.

Consumption

Domestic consumption increased by 2.7% to 2.1 MMT in 2005. This amount includes unofficial rice imports from neighboring Thailand. Rice smuggling is still rampant despite the GOM's efforts to curb such practices. Post expects consumption to increase 2.9 to 3.0% in 2006. While the rice consumption per capita show a slight increase from 79 kg in 2004 to 79.6 kg in 2005, the figure does not account for the influx of foreign workers and tourists into the country. In reality, the consumption per capita has been on the slide vis-à-vis the consumption of wheat.

The support price for padi rice has increased from RM55.00 to RM65 per 100 kg in 2005. In addition, all rice farmers receive a subsidy of RM25 per 100 kg of padi delivered to a licensed mill or drying facility.

Trade

Imports of 600 TMT in the trade matrix include unofficial rice imports of 82 TMT from neighboring Thailand in 2004. Thailand and Vietnam were the top suppliers followed by Pakistan, India and Burma. Rice sales from U.S. amounted to only 23 MT, mainly Calrose rice consumed by Japanese and Korean expatriates.

For 2005, rice imports (including unofficial imports) could reach 670 TMT with Thailand and Vietnam being the major suppliers. As for 2006, the country may need to import about 750 TMT to meet the shortfall in domestic rice production.

Rice Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Rice, Milled		
Time Period	Jan-Dec for CY04, Jan-Sep for CY05	Units:	1000MT
Imports for:	2004		2005
U.S.		U.S.	
Others		Others	
Thailand	370	Thailand	211
Vietnam	179	Vietnam	193
Pakistan	40	Pakistan	23
India	7	Burma	9
Burma	4	India	9
		Cambodia	1
Total for Others	600		446
Others not Listed			
Grand Total	600		446

Policy

Production Policy

Considered a 'security' item, the GOM targets 65% self-sufficiency in rice production. Even in order to maintain production at 65% self-sufficiency, the GOM estimated US\$658 million is required to upgrade drainage and irrigation facilities in the country's granary areas during the Ninth Malaysia Plan (2006 –2010). Another US\$131 million will be needed for other infrastructure development. So far, all the GOM's effort to increase rice production has proved to be an arduous task. In the latest announcement by the Agriculture Minister on turning Malaysia into a net food exporter by 2010, rice was not included on the list of commodities (such as vegetables, fruits and flowers) under consideration.

Marketing

Rice imports from the United States are mainly Calrose rice consumed by Japanese and Korean expatriates. Contributing factors to the U.S. absence from the market include lower prices from neighboring suppliers; the desire to enhance regional relationships and cheaper freight & shorter shipping times for competitors' rice. While the opportunities for sales of U.S. rice in Malaysia are still very limited, the absence of a price ceiling on imported high grade rice and the incorporation of LPN, the Malaysian Rice Authority, may help to create a small niche market for imports of branded, packaged rice, especially for the small organic food sector from the United States.